UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

In re: LONGWEI PETROLEUM INVESTMENT HOLDING LIMITED SECURITIES LITIGATION	C.A. No. 1:13-cv-00214-HB CLASS ACTION JURY TRIAL DEMANDED

This Document Relates To: All Actions

CONSOLIDATED SECURITIES CLASS ACTION COMPLAINT

PART II

> for expansion when exercised. The shelf registration included in the S-3 allows us to fulfill the registration-related requirements in advance for up to an additional $50 million so that we are prepared to react quickly to accretive expansion opportunities. We expect any future financing to be under more favorable conditions when compared to our earlier round of financing in October 2009."

74. On October 3, 2011, Longwei issued a press release entitled "Longwei Petroleum Withdraws $50 Million Shelf Registration," noting that the Company had filed a post-effective amendment to its Registration Statement on Form S-3 with the SEC to deregister the $50 million Shelf Registration Statement, which was declared effective on February 18, 2011. According to the press release:

> The shelf registration enabled Longwei to fulfill the registration-related requirements in advance for up to an additional $50 million in securities; the Amendment will deregister these securities. The Form S-3 also included the effective registration of common stock underlying warrants issued by the Company to investors associated with its October 2009 financing, as required under the terms of the financing. The withdrawal of the shelf registration does not deregister the common stock underlying these warrants.
>
> Mr. Cai Yongjun, Chairman and CEO of Longwei, commented, "We are withdrawing the shelf registration to mitigate investor concerns regarding the issuance of securities at the current share price levels. Our operating cash flow is sufficient to fund the total RMB 700 million (approximately $108.3 million USD) purchase price for the assets of Huajie Petroleum, and our balance sheet and operating results remain strong as we head into our second fiscal quarter."

75. On October 30, 2012, Longwei issued a press release entitled "Longwei Petroleum Provides Shareholder Update – Company extends warrant expiration from October 29, 2012 to November 29, 2012 due to stock market closure and request of warrant holders." The press release stated, in pertinent part, that Longwei had:

> [E]xtended the expiration date of its October 29, 2009 financing warrants (the "Warrants") by one month from October 29, 2012 to November 29, 2012 to account for the NYSE closure on the original expiration date.
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> Longwei previously completed a private placement financing, principally with institutional investors, on October 29, 2009, for approximately $14.8 million to provide inventory financing for its then newly acquired Gujiao facility. At the

time of the financing, the Company issued a total of 14.8 million Warrants exercisable at $2.255 per share. These investors have subsequently exercised approximately 3.6 million Warrants, and a total of 11.2 million Warrants are currently outstanding. The Warrants were originally issued with a three-year term and were registered to be exercised "for cash" under the Company's Form S-3 Registration Statement effective February 18, 2011.

* * *

"We understand the disappointment of our long-term institutional shareholders for not being able to exercise their Warrants at a time when the Company is climbing to a fair valuation," said Mr. Cai. "We appreciate the patience of all of our shareholders as we have gone through a difficult period for all U.S.-listed Chinese companies. We think it is in the best interest of the Company and all of our shareholders to grant the short-term, one-month extension of the Warrants. At this time, our thoughts go out to those affected by the storm."

After considering the situation thoroughly and consulting with the Company's legal counsel, the board of directors authorized this decision in the best interest of the Company and its shareholders. The Warrants have been extended under the same terms and conditions until November 29, 2012.

"We believe the Warrant proceeds, if exercised, will be beneficial to the Company as a means to grow our Huajie inventory level more quickly. Based on our inventory turnover and profit margin, we view this as a potentially accretive event for our shareholders," said Michael Toups, Chief Financial Officer of Longwei. "Our trading price has been hovering around the Warrant strike price of $2.255 for the past week. Since the Warrants are close to being 'in-the-money,' we believe a short-term extension, given the unforeseen circumstances, actually reflects favorably on our confidence in the future stock price to trade higher than the current level."

The Company recently reported revenues of US $510.6 million and net income of US $65.1 million for the fiscal year ended June 30, 2012. At the June 30, 2012 fiscal year-end, the Company reported total assets of US $342.3 million and a book value per share of $3.31.

Longwei expects year-over-year revenue growth of approximately 26.6% to $646.3 million, and net income growth of approximately 24.2% to $77.6 million, adjusted for the warrant derivative liability, for the fiscal year ending June 30, 2013. The growth is driven primarily by the ramp-up of the Huajie facility and organic growth at the Company's two existing facilities.

V. CLASS PERIOD EVENTS AND FALSE AND MISLEADING STATEMENTS

76. The Class Period starts on September 28, 2010. On that date, Longwei issued a press release entitled "Longwei Petroleum Announces Record Revenue and Earnings Results for Fiscal 2010." In addition to reporting that the Company's fiscal 2010 revenues had purportedly "increased 74% to $343.2 million" and that its "Net Income increased 131% to $50.2 million," the press release further stated, in pertinent part:

> "I am very pleased with our results for the 2010 fiscal year, especially the quick ramp-up of sales at our Gujiao facility in its first six months of operations," stated Mr. Cai Yongjun, Chairman and CEO of Longwei. "We exceeded our overall revenue guidance of $310.8 million by over 10%, and we generated $50.2 million in net income. We look forward to continued strong demand from both the industrial sector in our region, as well as strong consumer demand from the rapid rise in private automobile usage in China as a whole. We expect fiscal 2011 to be another record year as we continue to penetrate the market for our products and experience the benefits of a full year of revenue generation from the Gujiao facility."

77. The statements in ¶ 76 above were materially false because the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

78. That same day, the Company filed an annual report on Form 10-K for the fiscal year ending June 30, 2010 with the SEC (the "2010 Form 10-K"), which was signed by each of the Individual Defendants, except Defendant Dong, and reiterated the Company's announced annual financial results and financial position. The 2010 Form 10-K stated that "[t]he discussion and analysis of the Company's results of operations and liquidity and capital resources are based on the Company's consolidated financial statements, [ ] have been prepared in accordance with GAAP." These record results allowed the Company to report after tax net

income of $41,094,191 for fiscal year 2010 and the shares held in Make Good Escrow were released to Defendants Cai and Xue. In achieving these results, Longwei reported $74 million in sales from the previously dormant Gujiao Facility.

79. The statements in ¶ 78 above were materially false because: (i) the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142; and (ii) the Company's reported results had not been prepared in accordance with GAAP as detailed in ¶¶ 152–176.

80. The 2010 Form 10-K further contained the following statement regarding the Company's "Internal Control Over Financial Reporting":

> The management of Longwei Petroleum Investment Holding Limited is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:
>
> > Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
> >
> > Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
> >
> > Provide reasonable assurance regarding prevention or timely detection of

> unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.
>
> Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on its assessment, management concluded that, as of June 30, 2010, the Company's internal control over financial reporting is effective based on those criteria.

81. With respect to investments not recorded on the Company's balance sheet, the 2010 Form 10-K indicates that the Company does "not have any off-balance sheet arrangements, financings, or other relationships that are currently material or reasonably likely to be material to our financial position or results of operations." With regards to related party transactions the 2010 Form 10-K simply reported "None."

82. The 2010 Form 10-K was signed by each of the Individual Defendants, except Defendant Dong, and also contained signed certifications pursuant to the Sarbanes-Oxley Act of 2002 ("SOX") by Defendants Cai and Toups stating that "the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934" and "the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company." Defendants Cai and Toups further signed separate certifications, stating, in relevant part:

> 1. I have reviewed this Form 10-K of Longwei Petroleum Investment Holding Limited;
>
> 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
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> 3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material

respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under the Company's supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under the Company's supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principals;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report the Company's conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on the Company's most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

> b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

83. The statements in ¶¶ 80–82 above were materially false and/or misleading because the Company's internal and disclosure controls were in shambles such that: (i) the Company grossly and materially overstated its revenues, net income, and earnings even though the Company in fact had de minimis sales of its fuel Products; (ii) the Company's financial statements had not been prepared in accordance with U.S. GAAP; and (iii) the Company failed to disclose an investment of $32 million (out of a total commitment of $222 million) in a tourism business made by the Company's Zhonghe subsidiary, in which Defendant Cai owned more than a 10% interest.

84. The 2010 Form 10-K also contained an unqualified audit opinion dated September 28, 2010, signed by Defendant CvWB, which stated in relevant part:

> We have audited the accompanying consolidated balance sheets of Longwei Petroleum Investment Holding Limited and Subsidiaries (the Company) as of June 30, 2010 and 2009, and the related consolidated statements of operations and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
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> We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting, as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made

by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Longwei Petroleum Investment Holding Limited and Subsidiaries as of June 30, 2010 and 2009, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

85. The above excerpted unqualified audit opinion that was issued by CvWB, was materially false and misleading because the financial statements were not prepared in accordance with the standards of the PCAOB and not presented in accordance with GAAP, nor were they audited in accordance with GAAS.

86. Following the release of these records results, by November 8, 2010, Longwei stock would reach a Class Period trading high of $3.95 per share in intraday trading. Defendants Cai and Xue used this increase in the stock price to arrange a private placement of 1,000,000 shares each of their personal holdings of unregistered Longwei common stock on November 9, 2010.

87. Following a series of Form S-3 Registration Statement filings commencing on December 13, 2010 and amendments on January 14, 2011 and February 7, 2011, the SEC declared effective the Company's Shelf Registration Statement on February 18, 2011 facilitating the registration of an aggregate amount of $83,507,195.80 in Company securities, which included the registration of Company shares underlying the outstanding Warrants and a $50 million shelf registration of Longwei common stock to be sold "from time to time." Through the Shelf Registration Statement, Longwei registered up to an aggregate of 12,887,383 shares of common stock which were issued or are issuable upon exercise of the Warrants sold in

the October 2009 Financing. According to a press release issued on February 22, 2011 announcing the Shelf Registration Statement:

> [T]he Company's warrants associated with its October 2009 financing guarantees that the remaining outstanding warrants will be exercised "for cash" rather than on a cashless basis, which will provide the Company with an additional $26 million in cash when the warrants are fully exercised.
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> Mr. Cai Yongjun, Chairman and CEO of Longwei, commented, "Rising fuel prices and growing demand continue to confirm our business model. We are looking to significantly expand our footprint in the region, which would drive top-line revenue growth and earnings. The registration of the warrants is for the underlying shares already included in our diluted EPS, which will provide capital for expansion when exercised. The shelf registration included in the S-3 allows us to fulfill the registration-related requirements in advance for up to an additional $50 million so that we are prepared to react quickly to accretive expansion opportunities. We expect any future financing to be under more favorable conditions when compared to our earlier round of financing in October 2009."

88. The February 2011 Form S-3/A was signed by each of the Individual Defendants except Defendant Dong. In addition, Defendant CvWB reiterated its unqualified audit opinion with regard to Longwei's 2009 and 2010 financial statements and authorized the incorporation by reference of the Company's financial statements included in the 2010 Form 10-K.

89. The statements in the February 2011 Form S-3/A were materially false because: (i) the reported amounts of revenue, net income, and earnings from the 2010 Form 10-K were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142; and (ii) the Company's reported results had not been prepared in accordance with GAAP as detailed in ¶¶ 152–176.

90. On April 15, 2011, Longwei issued a press release entitled "Longwei Petroleum CFO Responds to Investor Concerns in Exclusive Interview – Longwei confirms it will not

issue equity at current PPS level." The press release stated, in relevant part, that Longwei's CFO, Defendant Toups, was interviewed by Dave Gentry, president and CEO of RedChip, providing the following "full transcript of the interview":

> Q: Do you think LPH is currently undervalued?
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> A: We think that any investor that does their homework will find that we are not only trading below our current book value of $1.81 per share, but based on our fiscal year-end June 30, 2011 forecasted adjusted earnings of $0.62 per share, we are also trading at a multiple of approximately 2.75 times our TTM earnings on a fully diluted basis.
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> Q: Investors are concerned about the potential dilution in a future financing needed to complete the acquisition of the assets of Huajie Petroleum. Please comment.
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> A: The Chairman has stated the Company will not participate in an equity financing at current price per share levels. As you know, Mr. Cai is the largest shareholder and understands the value of the stock. As previously stated we intend to use cash on hand, bank and other financing, and working capital assets to finance the acquisition.
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> * * *
>
> Q: Do you stand by your previous press release, on March 14, 2011, that states the acquisition will contribute approximately $300 million in revenue and $40 million in net income in fiscal 2012?
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> A: Yes, if we can complete the acquisition before fiscal year-end June 30, 2011, we are confident in this guidance. In our opinion, investors need to take the long view on Longwei, excuse the pun. This acquisition will be a game-changer in all respects. With this acquisition, we almost double our capacity and are on our way to becoming a $1 billion revenue company. We believe patient investors will do quite well in the long term and are hopeful that in the short term we will see the stock recover to previous levels quickly.

91. In May 2011, Longwei, in conjunction with its investor relations firm RedChip, produced a promotional video (the "May 2011 Promotional Video"). This video featured at least twelve fuel trucks driving around the Taiyuan Facility. Moreover, Defendant Toups stated on the May 2011 Promotional Video that "***[w]e've got anywhere from 50-60 trucks coming***

through [the Taiyuan facility] on a daily basis…" The video further boasted that there was a "[f]leet of 12 trucks servicing local gas stations."

92. The statements in ¶ 91 above were materially false and/or misleading because virtually no trucks were coming through the Taiyuan facility on a daily basis as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

93. To further convince investors of the volume of sales from Longwei's storage facilities, and the number of trucks serviced on a daily basis, on the same May 2011 Promotional Video, Defendant Toups announced that Longwei would set up webcams on its new website so investors could view the facilities and see the tanker trucks fueling. Nine months later, however, after repeatedly making excuses for delays installing the live webcams, Defendant Toups stated during the February 10, 2012 investor conference call that the webcam project failed because "[t]he Company deals with several sensitive industries in terms of some of the customers that we serve, the military or military-related customers, so we have not been able to come out through the Chinese firewall with the webcams or any type of a live feed."

94. The statements in ¶ 93 above were materially false and/or misleading as the real reason why the webcams were never installed was because, if they had been, investors and the market would have become aware that the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period.

95. On September 13, 2011, Longwei issued a press release entitled "Longwei Petroleum Announces Financial Results for Fiscal 2011 – Revenue up 40% to $481.6 Million, Adjusted Net Income up 44% to $68.0 Million." In addition to purportedly announcing the

Company's 4Q and fiscal 2011 financial results, the press release stated, in pertinent part, as follows:

> "We are pleased to report another year of record financial performance," stated Mr. Cai Yongjun, Chairman and CEO of Longwei. "Our operations remain strong, and we once again achieved robust year-over-year top and bottom line growth. Our Gujiao facility contributed nearly 40% of total revenues during fiscal 2011, its first full year of operations. We hope to replicate the success of the Gujiao acquisition with our upcoming Huajie Petroleum asset purchase, which will nearly double our storage capacity upon its completion. We have paid 81% of the total RMB 700 million (approximately $108.3 million USD) purchase price to date and expect to close the transaction during our second fiscal quarter. We firmly believe the Company is well positioned to capitalize on the continued rising demand for oil in China, and the addition of the new facility assets will further accelerate our revenue and earnings growth in fiscal 2012."
>
> **2012 Financial Outlook**
>
> The Company maintains its current guidance for fiscal 2012. The Company anticipates revenues of approximately $576 million with net income of approximately $78 million (adjusted net of non-cash warrant derivative liability expense) for the fiscal year ending June 30, 2012. The Company will update its fiscal 2012 guidance to reflect its purchase of the assets of Huajie Petroleum Co., Ltd. once the asset purchase is closed and online, which the Company anticipates during the second fiscal quarter. Longwei expects the facility to contribute approximately $300 million to revenues and $40 million to net income during the first 12 months of operations.
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> According to a November 2010 report by the U.S. Energy Information Administration, China's oil consumption will continue to rise in 2011 and 2012, with oil demand expected to reach 9.6 million barrels per day in 2011 and almost double to 17 million barrels per day by 2035. The PRC was also named the top global energy consumer in a recent report from the International Energy Agency.
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> Michael Toups, CFO of Longwei, stated, "Oil consumption in China is continuing to grow, and the rapid urbanization and burgeoning automobile market remain major growth drivers for our business. In the year ahead, we will continue to focus on expanding our customer base and improving inventory management. We expect both of our existing facilities to continue generating strong revenues, and we are confident in our ability to complete and quickly integrate the Huajie Petroleum acquisition."

96. The statements in ¶ 95 above were materially false because the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in

fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

97. That same day, the Company filed an annual report on Form 10-K for the fiscal year ending June 30, 2011 with the SEC (the "2011 Form 10-K"), which was signed by the Individual Defendants, except Defendant Dong, and reiterated the Company's announced annual financial results and financial position. The 2011 Form 10-K stated that "[t]he discussion and analysis of the Company's results of operations and liquidity and capital resources are based on the Company's consolidated financial statements, [ ] have been prepared in accordance with GAAP."

98. The statements in ¶ 97 above were materially false because: (i) the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142; and (ii) the Company's reported results had not been prepared in accordance with GAAP as detailed in ¶¶ 152–176.

99. The 2011 Form 10-K further contained the following statement regarding the Company's "Internal Control Over Financial Reporting":

> As of June 30, 2011, we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer, Cai Yongjun, and Chief Financial Officer, Michael Toups, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in our periodic reports is recorded, processed, summarized and reported, within the time periods specified for each report and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar

> functions, as appropriate to allow timely decisions regarding required disclosure.
>
> Our conclusion that our disclosure controls were not effective was based a material weakness identified in our financial reporting. A material weakness is a control deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment. We found that we did not maintain effective controls over our process to ensure the timely completeness and accuracy of the preparation and review of our consolidated financial statements. This resulted in several audit adjustments to our consolidated financial statements, principally including the timely transfer of completed construction projects to property, plant and equipment, which has resulted in an adjustment to depreciation, as well as reclassification of inter-company payables and an increase of accrual for employees salary and related expenses.

100. With respect to investments not included on the Company's balance sheet, the 2011 Form 10-K indicates that the Company does "not have any off-balance sheet arrangements, financings, or other relationships that are currently material or reasonably likely to be material to our financial position or results of operations." With regard to related party transactions, the 2011 Form 10-K stated "[o]ther than as may be disclosed herein, there are no other related transactions to disclose."

101. The 2011 Form 10-K was signed by each of the Individual Defendants, except Defendant Dong, and also contained signed SOX certifications by Defendants Cai and Toups, as well as the separate certifications containing the same form and content as the 2010 Form 10-K, set forth in ¶ 82, preceding, except for the period of the report.

102. The statements in ¶¶ 99–101 above were materially false and/or misleading because the Company's internal and disclosure controls were in shambles such that: (i) the Company grossly and materially overstated its revenues, net income, and earnings even though the Company in fact had de minimis sales of its fuel Products; (ii) the Company's financial statements had not been prepared in accordance with U.S. GAAP; and (iii) the Company failed

to disclose an investment of $32 million (out of a total commitment of $222 million) in a tourism business made by the Company's Zhonghe subsidiary, in which Defendant Cai owned more than a 10% interest.

103. The 2011 Form 10-K also included an unqualified audit opinion dated September 11, 2011, signed by Defendant CvWB, which stated in relevant part:

> We have audited the accompanying consolidated balance sheets of Longwei Petroleum Investment Holding Limited and Subsidiaries (the Company) as of June 30, 2011 and 2010, and the related consolidated statements of operations and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
>
> We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
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> In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Longwei Petroleum Investment Holding Limited and Subsidiaries as of June 30, 2011 and 2010, and the consolidated results of its operations and its cash flows for the three-years then ended, in conformity with accounting principles generally accepted in the United States of America.

104. The above excerpted unqualified audit opinion that was issued by CvWB, was materially false and misleading because the financial statements were not prepared in accordance with the standards of the PCAOB and not presented in accordance with GAAP, nor were they audited in accordance with GAAS.

105. On September 30, 2011, Longwei issued a press release entitled "Longwei Petroleum Provides Corporate Update – Management Confirms Strong Operating Results." The press release stated, in pertinent part, that:

> "The Company's operations continue to perform well, and we have had solid first fiscal quarter 2012 results," said Cai Yongjun, Chairman and CEO of Longwei. "This follows our strong fiscal year 2011 performance, which produced record revenues and earnings. Our revenues increased 40% to $482 million in fiscal 2011, and adjusted net income increased 44% to $68 million or $0.67 earnings per share (adjusted net of non-cash warrant derivative liability expense)."
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> "We are disappointed with the drop in our share price, which we believe does not correlate to our successful operating results," stated Mr. Cai. "We continue to move our operations forward and plan to complete the acquisition of the Huajie Petroleum assets during this next quarter using Company cash generated through operations."
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> As of June 30, 2011, Longwei had paid a RMB 550 million (approximately $85.1 million USD) deposit toward the total purchase price of RMB 700 million (approximately $108.3 million USD) for the purchase of the assets of Huajie Petroleum, a fuel storage depot in northern Shanxi Province with a 100,000-metric-ton storage capacity.
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> "Certain U.S.-listed Chinese stocks have been much maligned in the marketplace over accounting and corporate governance issues, which we are not involved in. We have a clean financial audit opinion as of June 30, 2011. Unfortunately, the ongoing volatility in the capital markets and the turmoil in the Chinese small-cap sector have pulled stocks in our sector down considerably," stated Michael Toups, CFO of Longwei.
>
> Longwei has undergone two reviews of certain of its filings by the Securities and Exchange Commission ("SEC") with the effectiveness of its S-1 registration statement in March 2010 and S-3 registration statement in February 2011.
>
> "We want to assure our shareholders that there are no outstanding issues regarding the Company that have not been fully disclosed in our recently filed Annual Report on Form 10-K," stated Mr. Cai. "Our operations remain strong, and we once again achieved robust year-over-year top and bottom line growth. We firmly believe the Company is well positioned to capitalize on the continued rising demand for oil in China, and we believe the addition of the new facility assets will further accelerate our revenue and earnings growth in fiscal 2012."

106. The statements in ¶ 105 above were materially false because the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

107. The market reaction to the Company's shelf registration caused the Company to reverse course, and on October 3, 2011, Longwei issued a press release entitled "Longwei Petroleum Withdraws $50 Million Shelf Registration," noting that the Company had filed a post-effective amendment to its Registration Statement on Form S-3 with the SEC to deregister the $50 million Shelf Registration Statement, which was declared effective on February 18, 2011. According to the press release:

> The shelf registration enabled Longwei to fulfill the registration-related requirements in advance for up to an additional $50 million in securities; the Amendment will deregister these securities. The Form S-3 also included the effective registration of common stock underlying warrants issued by the Company to investors associated with its October 2009 financing, as required under the terms of the financing. The withdrawal of the shelf registration does not deregister the common stock underlying these warrants.
>
> Mr. Cai Yongjun, Chairman and CEO of Longwei, commented, "We are withdrawing the shelf registration to mitigate investor concerns regarding the issuance of securities at the current share price levels. Our operating cash flow is sufficient to fund the total RMB 700 million (approximately $108.3 million USD) purchase price for the assets of Huajie Petroleum, and our balance sheet and operating results remain strong as we head into our second fiscal quarter."

108. Defendant Cai's statements in ¶ 107 above were materially false and/or misleading because the Company's previously reported revenue, net income, and earnings during the Class Period were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by,

inter alia, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

109. On November 7, 2011, the Company filed its Annual Proxy Statement on Schedule 14A ("2011 Proxy"), for its first ever annual meeting of shareholders. The 2011 Proxy announced that Defendant DeCiccio was not standing for reelection and Defendant Dong was nominated to take his place on Board, as well as the Board's Audit, Nominating, and Compensation Committees.

110. On August 6, 2012, Longwei issued a press release entitled "Longwei Petroleum Plans to Release Record Revenues and Net Income for FYE June 30, 2012 – Earnings to be released on or before September 13, 2012." The press release stated, in pertinent part, that:

> Longwei is currently working with its audit firm to complete its fieldwork in the PRC for the Company's annual audit. On August 1, 2012, the Company's audit firm, Child Van Wagoner & Bradshaw, PLLC ("CVB"), announced it had been reorganized. According to a statement released by the firm's partners, "CVB was reorganized in order for its partners to focus on their core competencies and provide enhanced client service."
>
> CVB has been reorganized into three new firms, each with distinct specialties:
>
> 1. Anderson Bradshaw PLLC ("AB") will be the Public Company Accounting Oversight Board ("PCAOB") registered successor firm to CVB and will focus on audits of both public and private companies, and tax services for international and domestic businesses and high-wealth individuals.
>
> 2. Child, Van Wagoner and Associates, PLLC will focus on audits of private companies and tax clients.
>
> 3. FJ & Associates, PLLC will focus on audits of assisted housing, not for profit, and governmental organizations and tax services for businesses and individuals.
>
> According to the statement from the firm's partners, "We believe this change will give you better service by allowing each of us to focus on what we do best. We expect that client communications will be enhanced and that access to partners will be increased, both for clients and employees."

> Since CVB was replaced by AB for purposes of PCAOB registration, each of CVB's SEC issuer clients was required to file a Form 8-K under item 4.01 to reflect a Change in Registrant's Certifying Accountant. AB was established as the successor firm to CVB to continue performing audits for SEC reporting companies. As AB is viewed as a separate legal entity, Longwei was required to dismiss CVB and engage AB as its principal accountant for the Company's fiscal year ended June 30, 2012. The Company filed a Form 8-K on August 3, 2012 to reflect this change. The audit team at AB remains the same from the predecessor firm, CVB.
>
> "We are pleased that our fieldwork and audit are led by the same team as previously with CVB," stated Mr. Cai Yongjun, Chairman and CEO of Longwei. "We look forward to releasing our audited financial statements on Form 10-K for fiscal year 2012 and announcing the successful completion to this past fiscal year. We remain committed to improving our level of transparency with our shareholders and look forward to upcoming events to grow the Company in fiscal 2013."

111. On September 13, 2012, Longwei issued a press release entitled "Longwei Petroleum Announces Record Financial Results for Fiscal 2012 – Net Income increases 4.1% to $65.1 million for the year ended June 30, 2012, and Book Value reaches $3.31 per share." In addition to reporting that fiscal 2012 revenues purportedly "increased 6.0% to $510.6 million, compared with $481.6 million" in fiscal 2011, that the "Company's Taiyuan and Gujiao fuel storage facilities contributed revenues of $256.3 million and $233.8 million, respectively," and that fiscal 2012 "GAAP Net Income . . . increased 4.1% to $65.1 million, compared with $62.5 million" in fiscal 2011, the press release stated, in pertinent part, as follows:

> "We are pleased to deliver another year of record performance," stated Mr. Cai Yongjun, Chairman and CEO of Longwei. "With the continued strong demand for petroleum products in Shanxi Province, revenues and net income reached an all-time high. Once the Huajie Petroleum asset acquisition is completed, we are set to quickly ramp operations at the new facility to drive further growth in the new fiscal year."

* * *

Plan of Operations

> Longwei anticipates the completion of the approximately $110.9 million asset purchase of Huajie Petroleum as soon as possible based on the Company's working capital management. The Company is currently negotiating potential financing opportunities, which may allow Longwei to accelerate the closing and provide additional working capital to shorten the ramp-up time for operations. Longwei expects to continue to expand its customer base by utilizing the Company's distribution platforms. The Company's strategy is to leverage its customer and supplier relationships to develop additional business. Management may also look for opportunities to expand its business that are considered accretive to earnings.
>
> Longwei will continue to operate within its business model, which acts as a hedge on pricing levels and allows the Company a competitive advantage by utilizing Longwei's large storage capacity to adjust inventory levels based on the anticipated movement of industry pricing. Utilizing its excess storage capacity allows Longwei flexibility to take advantage of pricing, supply and demand fluctuations within the marketplace. The Company's inventory on-hand and supplier advance balance with refineries allows Longwei to lock in supply so that the Company can react quickly to purchases based on the timing of international crude oil pricing movements and the PRC pricing level adjustments.
>
> Michael Toups, Chief Financial Officer of Longwei, stated, "We continue to capitalize on the growing domestic demand for petroleum products in China and expect strong top-line and bottom-line results in fiscal 2013. The pending addition of the Huajie Petroleum facility in northern Shanxi Province will provide an additional catalyst for growth in the quarters ahead."
>
> Mr. Toups continued, "On September 11, 2012, China's National Development and Reform Commission increased gasoline prices by 6.1 percent and diesel prices by 6.5 percent per metric ton due to rising international crude oil prices. The adjustment will enable us to raise prices on our petroleum products, which we believe will strengthen our revenues and profit margins. By carefully managing our inventory levels in line with oil price fluctuations, and continuing to execute our business strategy, we expect improved shareholder value over the long term."

112. The statements in ¶ 111 above were materially false because the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142.

113. That same day, the Company filed an annual report on Form 10-K for the fiscal year ending June 30, 2012 with the SEC (the "2012 Form 10-K"), which was signed by the Individual Defendants except Defendant DeCiccio, and reiterated the Company's announced annual financial results and financial position, stated that "[t]he discussion and analysis of the Company's results of operations and liquidity and capital resources are based on the Company's consolidated financial statements, [ ] have been prepared in accordance with GAAP."

114. The statements in ¶ 113 above were materially false because: (i) the reported amounts of revenue, net income, and earnings were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142; and (ii) the Company's reported results had not been prepared in accordance with GAAP as detailed in ¶¶ 152–176.

115. The 2012 Form 10-K further contained the following statement regarding the Company's "Internal Control Over Financial Reporting":

> The management of Longwei Petroleum Investment Holding Limited is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that:
>
> - Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
>
> - Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

> with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
>
> - Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.
>
> *   *   *
>
> Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework. Based on its assessment, management concluded that, as of June 30, 2012, the Company's internal control over financial reporting is effective based on those criteria. For the year ended June 30, 2012, the Company's management annual report on internal control over financial reporting was not subject to attestation by its independent auditors.

116. With respect to investments not recorded on the Company's balance sheet, the 2012 Form 10-K indicates that the Company does "not have any off-balance sheet arrangements, financings, or other relationships that are currently material or reasonably likely to be material to our financial position or results of operations." Once again, with respect to related party transactions, the 2012 Form 10-K reported that "Other than as may be disclosed herein, there are no other related party transactions."

117. The 2012 Form 10-K was signed by each of the Individual Defendants except Defendant DeCiccio and also contained signed SOX certifications by Defendants Cai and Toups, as well as the separate certifications containing the same form and content as the 2010 Form 10-K, set forth in ¶ 82, preceding, except for the period of the report.

118. The statements in ¶¶ 115–117 above were materially false and/or misleading because the Company's internal and disclosure controls were in shambles such that: (i) the Company grossly and materially overstated its revenues, net income, and earnings even though

the Company in fact had de minimis sales of its fuel Products; (ii) the Company's financial statements had not been prepared in accordance with U.S. GAAP; and (iii) the Company failed to disclose an investment of $32 million (out of a total commitment of $222 million) in a tourism business made by the Company's Zhonghe subsidiary, in which Defendant Cai owned more than a 10% interest.

119. The 2012 Form 10-K also included the unqualified audit opinion dated September 12, 2012, signed by Defendant Anderson & Bradshaw, which stated in relevant part:

> We have audited the accompanying consolidated balance sheets of Longwei Petroleum Investment Holding Limited and Subsidiaries (the Company) as of June 30, 2012 and 2011, and the related consolidated statements of operations and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.
>
> We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
>
> In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Longwei Petroleum Investment Holding Limited and Subsidiaries as of June 30, 2012 and 2011, and the results of its operations and its cash flows for the two-years then ended, in conformity with accounting principles generally accepted in the United States of America.

120. The above excerpted audit opinion that was issued by Anderson & Bradshaw, was materially false and misleading because the financial statements were not prepared in accordance with the standards of the PCAOB and not presented in accordance with GAAP, nor were they audited in accordance with GAAS.

121. On November 26, 2012, Longwei issued a press release entitled "Longwei Petroleum Reports October Sales Volume Increase – October product revenue increased 32.8% and sales volume in metric tons increased 20.2% year-over-year." Among other things, the press release announced that "[f]or the month ended October 31, 2012, Longwei reported its revenue from product sales increased 32.8% to $53.1 million, compared to $40.0 million for the month ended October 31, 2011," and that "[t]he increase in revenues was primarily attributable to the increase in the average sales price of petroleum and the volume growth of the new Huajie facility, which contributed $9.2 million in product revenues during its first month in operation." Defendant Cai stated "[t]he volume increase, combined with recent sales price increases and bringing the Huajie facility online, positions us for strong growth in fiscal 2013."

122. On December 19, 2012, Longwei issued a press release entitled "Longwei Petroleum Reports November Sales Volume Increase at Its Huajie Facility – November sales volume in metric tons at Huajie increased 23.2% month-over-month," announcing that "[t]he increase in sales volume is attributable to the increase in new customer business at the Huajie facility, which profitably contributed $9.5 million in product revenues during November." Defendant Cai stated that "[t]he Huajie facility is ahead of schedule in its output."

123. The next day, December 20, 2012, Longwei issued a press release entitled "Longwei Petroleum Reports October and November Sales Revenue Increases 35.0% – October

and November product sales revenue increased 35.0% and sales volume in metric tons increased 26.1% year-over-year." The press release stated, in pertinent part, that:

> For the two months ended November 30, 2012, Longwei reported its revenue from product sales increased 35.0% to $107.5 million, compared to $79.6 million for the two months ended November 30, 2011. Longwei's product sales volume increased 26.1% for this two-month period year-over-year to 86,128 metric tons ("mt"), compared to 68,310.0mt for the two-month period ended November 30, 2011. The increase in revenues was primarily attributable to the increase in the average sales price of petroleum between the periods and the volume growth of the new Huajie facility. During the month of November the Company offered Huajie customers certain one-time incentives and discounts as part of its opening strategy to capture market share in the region. The Huajie facility represented approximately 18.9% or 16,290mt of the total sales volume for the two-month period ended November 30, 2012.
>
> "Bringing the Huajie facility online has positioned us for strong growth in fiscal 2013," said Cai Yongjun, Chairman and Chief Executive Officer of Longwei. "We expect to build our market at Huajie as customers recognize our good customer service and reliable distribution, as we have at our Taiyuan and Gujiao facilities."

124. The statements in ¶¶ 121–123 above were materially false because the reported amounts of revenue were grossly and materially overstated as the Company in fact had de minimis sales of its fuel Products since at least the start of the Class Period, as evidenced by, *inter alia*, the accounts of multiple eyewitnesses with knowledge thereof as detailed in ¶¶ 11, 128, 133–142, and video surveillance by *GeoInvesting* as described in ¶¶ 10–11, 129–133.

125. On January 2, 2013, Longwei issued a press release entitled "Longwei Petroleum Raises Full-Year Guidance with Increased Revenue Contribution from its Huajie Facility – Company expects fiscal 2013 revenue to increase 30.7% to $667.3 million, with the new Huajie facility to contribute $121.0 million." The press release stated, in pertinent part, as follows:

> Longwei now forecasts FY13 revenue to increase 30.7% year-over-year to $667.3 million, versus prior forecasts of $646.3 million. Longwei also projects net income, adjusted for the warrant derivative liability, to increase approximately 23.0% year-over-year to $80.1 million, versus the prior forecast of $77.6 million. The growth is primarily driven by the better-than-expected ramp-up of the new

> Huajie facility. Longwei now expects revenue contribution from the Huajie facility of $121.0 million in FY13, up 21.0% from the prior forecast of $100.0 million. The guidance does not account for any potential external financing for inventory, which could accelerate growth.
>
> "The Huajie facility has captured significant market share in its region during its first three months of operations, leading to better-than-expected throughput. This, combined with continued organic growth of the Taiyuan and Gujiao facilities, positions us well for strong growth in FY13," said Cai Yongjun, Chairman and Chief Executive Officer of Longwei. "We expect strong quarterly top-line and bottom-line results for the period ended December 31, 2012."

126. The statements in ¶ 125 above were materially false and/or misleading because the Company's sales at the new Huajie facility were in fact de minimis as were the Company's sales at its other facilities.

VI. THE TRUTH IS REVEALED

127. On January 3, 2013, during the trading day, *GeoInvesting.com* published a report entitled "Longwei Petroleum: The Most Brazen China-Based U.S. Listed RTO To Date." The *GeoInvesting.com* expose revealed the following material facts, rendering Longwei's financial statements materially false and misleading:

1. Longwei failed to disclose that its wholesale fuel sales were vastly exaggerated. According to the *GeoInvesting* Report, the fuel sales were virtually nonexistent, contrary to Longwei's public statements and reported financial statements.

2. Longwei failed to disclose a material related-party investment totaling $32 million, which never appears on the Company's balance sheet. According to the *GeoInvesting* Report and supporting documentation including SAIC filings, one of Longwei's subsidiaries invested in a tourism project called Shengjing Mountain Tourism District. Following the investment, Longwei owned 90% of the venture and Cai owned the remaining 10%.

A. Nonexistent Fuel Sales

128. Among other things, the *GeoInvesting* Report details the massively overstated business operations at the Company's three fuel storage facilities within Shanxi: Taiyuan, Gujiao, and Huajie. Beginning in early 2011, the oil prices in the PRC became very unstable.

As a result of this instability in oil prices, Longwei began losing money on its sale of petroleum Products, unknown to investors and contrary to public representations. Interviews conducted by *GeoInvesting* investigators with local residents knowledgeable of Longwei's recent business conditions at the Gujiao and Taiyuan Facilities confirmed that: (i) the Gujiao Facility has been losing money and has been virtually idle since at least 2011; (ii) the Gujiao Facility storage tanks are empty; (iii) the Taiyuan Facility wholesale business has likewise been virtually idle for a long time; and (iv) the Taiyuan small retail gas station does more business than the Taiyuan wholesale business. Independent interviews with local residents conducted by Plaintiffs' Investigators confirmed these reports, and indeed have established that the Gujiao Facility has been virtually idle since it was first acquired by Longwei.

129. Since Longwei did not follow through with its promise to set up video cameras at the fuel storage facilities as discussed in ¶ 93 above, investigators from *GeoInvesting* set up time-lapse video surveillance cameras at both the Taiyuan and Gujiao Facilities and performed uninterrupted 24/7 time-lapse video surveillance from October 26 to December 13, 2012. These time lapse surveillance videos confirmed the reports from local residents.

130. Specifically, the *GeoInvesting* Report videos revealed that ***only five tanker trucks*** fueled at the two facilities, combined, during the seven-week surveillance period. For the seven week period of surveillance, only ***one tanker truck*** arrived and fueled at the Taiyuan Facility. The videos reveal that the only tanker truck ever seen fueling during the forty-nine days of filming the Taiyuan facility entered the Taiyuan facility at 2:04 p.m. October 26, 2012 and departed at 3:28 p.m. the same day. With respect to the Gujiao Facility during the forty-nine days of surveillance, a ***total of only four tanker trucks were seen fueling***. For all practical

purposes, the Taiyuan and Gujiao facilities were nearly idle, with minimal sales coming from the small retail gas station selling fuel to locals in front of the Taiyuan tanker fueling station.

131. During November 2012, *GeoInvesting* time-lapse video surveillance filmed ***only two tanker trucks*** fueling at the Taiyuan and Gujiao facilities, combined. *GeoInvesting* prepared the following table to compare Longwei's reported combined November sales at its Taiyuan and Gujiao Facilities to the reality filmed by *GeoInvesting*:

	Product Sales in Metric Tons	**Source**
All 3 Facilities Oct-Nov 2012	86,128	Press release 12/20/2012
All 3 Facilities Oct 2012	(41,811)	Press Release 11/26/2012
All 3 Facilities Nov 2012	44,317	
Huajie Facility Nov 2012	(8,990)	Press Release 12/19/2012
Taiyuan + Gujiao Nov 2012	35,327	
Average tanker truck capacity	20	
Taiyuan and Gujiao - Estimated total number of tanker trucks in November 2012	1,766	
Actual number of tanker trucks observed in Nov 2012	2	
Inflated product sales factor	882x	

132. The reports of nonexistent petroleum sales from the local residents are further supported by photographs taken of the railroad spurs at the Taiyuan and Gujiao Facilities by *GeoInvesting* in October 2012 prior to conducting the video surveillance. *GeoInvesting* discovered that the railroad spurs interconnecting the Taiyuan and Gujiao Facilities with the surrounding province were covered with vegetation and appeared unused in quite some time. Both the Taiyuan and Gujiao Facilities are inland facilities solely dependent on delivery of petroleum products by truck or railroad. While Longwei purportedly claims its Taiyuan facility is supplied with fuel by rail, the *GeoInvesting* Report confirmed that the railroad tracks at both facilities were covered with vegetation, as shown in the Report, attached hereto as Exhibit A, at pgs. 10–11.

133. Similarly, from December 9 to 22, 2012, *GeoInvesting* conducted thirteen days of twenty-four seven time-lapse video surveillance of the newly opened Huajie fuel storage depot and detected ***zero tanker trucks being fueled at the facility***. Once again, interviews with local residents conducted by Plaintiffs' Investigators have revealed that the Huajie Facility has remained idle and non-operational since it was acquired by Longwei.

134. Moreover, two reporters, Mr. Guangshou Li and Jiaxia Sun, from Daily Economy News, performed an independent investigation into Longwei's wholesale oil business after *GeoInvesting* issued its report. On January 18, 2013, they drafted an investigation report (the "Daily Economy News Investigative Report"), which is available at http://www.ce.cn/cysc/ny//shiyou/201301/18/t20130118_21320876.shtml and incorporated herein by reference. The Daily Economy News Investigative Report proved that the Taiyuan and Gujiao Facilities were not functional at all. The relevant facts contained in the Daily Economy News Investigative Report are included and translated below:

> "在2012年5月18日，由山西省安监局副局长兼总工程师狄重阳主持召开的省局2012年第5次危险化学品安全生产许可工作联系会议上，省局安全监督管理三处汇报对83户危险化学品经营企业的审查意见时提及，龙威经贸(油库)等3户危险化学品经营企业因不符合安全许可条件等原因，拟不予颁发危险化学品经营许可证。
>
> On May 18, 2012, Mr. Congyang Di, the vice-president of the Safety Inspection Bureau, Shanxi Province, presided over the fifth meeting regarding safety licenses for the production of dangerous chemicals. The third division of safety supervision and management reported its opinion as to whether 83 companies related to hazardous chemicals production have reached the safety standard. The division refused to issue the license to three companies which are operating hazardous chemicals production, including Longwei Economy & Trade Ltd. because it could not reach the standard of safety production."
>
> "两条轨道，直接伸入龙威经贸院内，铁道上长满的植物已经干枯。从铁道进入龙威经贸，有一道大门，锁和插销都已锈迹斑斑。
>
> Two railway tracks directly approach Taiyuan Longwei Economy and Trade Ltd.

The railway tracks are overgrown with vegetation that has withered. There is a gate on the tracks to the Taiyuan Longwei Economy and Trade Ltd, and the lock and bolt of the gate have been rusted."

"据《每日经济新闻》记者观察，1月11日当天有一辆满载废钢筋的双排座货车加了油，16日有一辆农用车加了油，其他时候加油站都显得有些冷清，地面上满是灰尘。

According to the Daily Economic News reporters' observation, only one truck full of abolished reinforced concrete scrap metal stopped for gas on January 11. An agriculture vehicle filled some gas on January 16. The rest of the time, the gas station seemed deserted, with the floor full of dust."

135. Similarly, in response to the *GeoInvesting* Report exposé, CCTV aired an investigative report into Longwei (the "CCTV Report") on January 28, 2013, once again showing the railroad spurs at both the Taiyuan and Gujiao Facilities had not been used and had been allowed to rust and become overgrown with vegetation and weeds. During the CCTV Report, a CCTV reporter visited each of the Longwei facilities to clarify Longwei's operating status. The Taiyuan facility was described as "full of rust" with "no attendant at the retail gas station." The Gujiao facility was described similarly: "We can see that the rail tracks are covered in weeds and other vegetation. This means that this rail spur has already been idled for quite some time. In addition to the vegetation on the rail tracks, the surrounding equipment is also full of rust."

136. Moreover, "[d]uring the five hours from 12 p.m. to 5 p.m., there was no employee coming in or out and not a single oil tanker truck coming in or out to transport oil." The CCTV reporter spoke to several villagers from Langang village, located several hundred meters away from the Gujiao Facility, who described the Gujiao Facility business as "not good." One local truck driver knew that the facility had "ceased operation for several years" because "I pass by it daily. When there were oil products going in and out, there would be lots of trucking activities. In recent years, I did not see that many trucks. The train did not deliver